Strengthening Financial Inclusion through Strategic Intervention:

A Case Study of Yemen

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Introduction

Financial inclusion is a critical factor in reducing poverty and promoting prosperity. Financial inclusion means that individuals and companies have access to valuable and affordable financial products and services that meet their needs, such as transactions, payments, savings, credit and insurance, and are provided to them responsibly and sustainably.

Accessing a transaction account is the first step to greater financial inclusion because the transaction account allows people to save money, send and receive payments. A transaction account can also be a gateway to other financial services, which is why ensuring that people around the world have access to a transaction account is at the heart of the World Bank Group's financial inclusion initiative by 2020. Financial services simplify everyday life and help families and businesses plan everything from long-term goals to unforeseen emergencies. As account holders, people are likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk and cope with financial shocks, which can improve their overall lives.

Financial inclusion has also become a priority for policymakers, regulators and development agencies worldwide. Financial inclusion was identified as a critical factor in achieving seven of the 17 Sustainable Development Goals. The G-20 committed itself to promote financial inclusion worldwide and reaffirming its commitment to applying the G-20 principles on digital financial inclusion principles.

Policymakers from around the world increasingly recognize the importance of financial inclusion. The financial Inclusion of SMEs, in particular, is a key element in the challenges facing many countries in diversifying their economies and achieving economic growth. SMEs make up a large proportion of companies in the Middle East and Central Asia.

According to World Bank estimates, 1.7 billion people still do not have access to basic bank accounts. In order to achieve sustained and inclusive growth, the World Bank has relied on access to the less privileged through what is known as financial inclusiveness, and to achieve this, he called for strengthening the capacity of local

financial institutions and promoting equal access to financial services for all, particularly women, the lowest income, rural populations and the lack of legal identity that would enable them to enter the financial system, including outside the labour force.

Financial inclusion extends beyond individuals who do not have bank accounts, including small businesses, non-profit organizations and companies, of course, to enable business groups and individuals to access the loan, remittance and savings services, or any other financial service such as payments and insurance at affordable, low-cost and controlled rates.

Despite the presence of 17 local and foreign banks in Yemen, with the number of branches reaching 328, in addition to 12 microfinance institutions and the number of branches up to 106 branches, Yemen is still at the bottom of the list of countries in the Arab region in the indicators of financial inclusion, at a rate not exceeding 8% According to the global financial inclusion index for the years 2011 and 2014. One of the reasons for the low indicators of financial Inclusion in Yemen is that banks and microfinance institutions focus on providing their financial services in urban areas in which only about 30% of the population lives, in light of the deprivation of financial services in rural areas in which 70% of the population live due to their lack of components. The adequate infrastructure to provide financial services, such as telecommunications and internet services, is weak or unavailable in rural areas.

However, the picture is completely different in the mobile phone sector, as official reports indicate that the number of mobile phone subscribers in Yemen, as of mid-November 2019, reached nearly 18.6 million subscribers. In light of the ongoing war in Yemen since 2015 and the complete blackout in most Yemeni regions, people have increased their interest in buying mobile phones and tablets for the information and entertainment services provided by these smart devices via the Internet, to become an alternative to the traditional media that people used to follow before starting The last war in Yemen.

❖ The statement of the problem

The state of financial Inclusion in Yemen without easy access to affordable financial and credit services, and difficult access to financial information, including advice on debt and loans, and not every adult and child receives the financial education they need, as it should start from primary school and continue until the age of In retirement pension, there are no dedicated channels for financial information and how to obtain financial services, which in turn alleviate poverty.

The truth is that every adult has access to their transactional account and the ability to do so and take full advantage of banking services, including the concepts of savings, small and micro-investment, and the promotion of savings concepts.

❖ Review of Literature

The researcher reached, during data collection, several previous studies and literature related to the subject of the study, including:

1- **Ammar**. **2019**. Financial and banking inclusion gap in Arab economic with a particular reference to the Arab-Islamic banking sector. Has published on: **Al-Mashwrah,** which aims to review the concept of financial and banking inclusion from the perspective of Arab central banks and the relevant regional bodies, he presents some suggestions for the Arab Central Banks to develop a national strategy for financial and banking inclusion.

2- **(Adele Atkinson. No34)** Promoting financial inclusion through financial education has been published on: OECD no34. As a result of this research, the degree of development in financial inclusion is linked to raising illiteracy. The research studies an analytical study in general, challenges and solutions, and studies the main lessons and how to deliver them to individuals. In the present study, the researcher will study

the effect of intervention results on the research sample.

3- (DE GRUYTER.17/02/ 2021) The impact of finance on poverty reduction has been published on: Asian Jaw Eco. He talked about that poverty is a global issue, and a lot of attention and efforts of the international community have been made to deal with this problem. Especially in the context of the COVID-19 pandemic, This research is conducted to investigate the impact of financial inclusion and other control variables on poverty reduction. The study employs Principal Component Analysis (PCA) to build a financial inclusion index. Using 2SLS and the GMM regressions for panel data of 29 European countries during the period from 2011 to 2017, the results show that financial inclusion has an negative impact on poverty at all three poverty lines of USD1.9, 3.2, and 5.5 per day. The proportion of the population aged 1564 and the ratio of service employees to the total number of employment also have a negative effect on all three levels of POV1.9. POV3.2. and POV55. In contrast, GDP per capita, trade openness and the proportion of the population aged from 25 with at least secondary school education have a positive impact on poverty at three levels of poverty. The results confirm that financial inclusion plays an important role in reducing poverty. The study provides a number of recommendations to governments to promote financial inclusion and reduce poverty in the countries.

4- **(Zuzana Fungacova .June.2014)** Understanding inclusion in China. has published on: Laboratoire de recherché en gestion anf economie. The searcher used data from the world bank for 2011, comparisons with the other BRICS countries. He found that the high level of financial inclusion in china manifested by greater use of a formal account and formal saving than in other BRICS. It was found that higher income is better education, being a man, and getting older is associated with increased use of the formal system of accounts and formal credit in China. that is what the researcher will discuss in this research.

5- **(S. Mahendra Dev .2006)** Financial Inclusion Issues and Challenges. has published on: Ecomnomic& political weekly. At 1st he talked about the definition of financial inclusion. Farmers indebtedness, supply and demand-side issues, finally he wrote

about his conclusion, the concept of financial services covers wider financial services such as credit, savings, insurance.

6- **(Isaac Koomso)** financial inclusion and energy poverty: empirical evidence from GHANA. This study examines the impact of financial inclusion on energy poverty using multidimensional measures. The researcher believes that energy poverty is a major reason for the underdevelopment of financial inclusion due to the difficulty accessing banking services and banking transactions and dealing with bank accounts and mobile transactions. At the same time, the present study focuses on strategic intervention to affect financial inclusion in the research sample.

7- **(Rayghanan Abrahams)**Financial inclusion in south Africa. The researcher talked about the financial inclusion profile of ETHIOPIA, RWANDA, TANZANIA, INDIA, INDONESIA, KENYA, TURKEY and CHILE. DISSENT THE title, it was about Africa, but he wrote about INDIA and so.

8- **(Noha Emara- Mohammed Mohildin)**Financial inclusion and extreme poverty in the MENA region: A Gap analysis approach. In this study, the two researchers focused on sustainable development and financial inclusion and assessed financial inclusion's role in eradicating extreme poverty. They concluded that if Arab countries continued on the same path, they would not achieve financial inclusion by 2030. In this research, the researcher will focus on conducting a strategic intervention experiment to improve access to financial services.

9- **(D.R: BO TALAAH MOHAMEED)** The reality of financial inclusion and its challenged- JORDAN and Algeria as an example. The study aimed to present the most important concepts about financial inclusion and concluded that financial inclusion provides advanced financial services and products and affects savings. And our study applies these concepts to the case of the country of study.

10- **(Odeh and Salem Hussein, 2017)** "Inclusion in the world during 2017"

Suggested mechanisms and policies to expand the base of financial inclusion to reach the financial service in Iraq . This research aims to identify the mechanisms for enhancing financial Inclusion in Iraq and reached many results, the most important of which is converting cash payments into payments through bank accounts which is one of the objectives of our study.

11- **(Bouzana Aimen)** The contribution of digital solution of enhancing the degree of financial Inclusion- KENYA'S Experience model. This study aims to highlight the role of digital solutions in promoting financial inclusion and achieving its goals. Our study aims to address that role in the country of study.

12- **(RASHA AWDEH, SALEM AWAAD)** Proposed mechanisms to expand the base of financial inclusion and access to financial services in IRAQ. That research aims to reach mechanisms to enhance the financial coverage in IRAQ

13- **(DR. Abdel Halim Amar)** Role of Islamic banking in banking and financial inclusion: a model of ARAB ECONOMIES.

It aims to analyze the most effective policies for improving access to and usage of appropriate Islamic financial products by the underserved in the Arab economies.

And this banking is also working in Yemen, and we will study it.

14- **(MOHAMMED BIN MUSAA)** THE impact of knowledge and financial literacy on the level of financial inclusion in the world during 2017. This study was aimed to test the relationship between knowledge and financial literacy.

15- **(Mandira Sarma. Jun 2008)** Index of Financial Inclusion, working paper, published at Indian council for research. He considers three dimensions of an inclusive financial system: banking penetration, availability of the banking services and usage of the banking system. Then he wrote points of difference with UNDP methodology its manner in which dimension indexes are combined to compute the final index.

16- **(Karen Rowlingson& Stephen feb.2019) Financial inclusion annual monitoring report 2015.** They are published at Birmingham portal. He wrote about financially inclusive society, the policy context, and how people feel about their finances? This report is the third in a series of five annual monitoring reports commissioned by the friends provident foundation to measure changing levels of financial Inclusion in Britain from 2013-2017.

17- **(SANDRA CAROLINA& BLANDO. MAY 2013)** Linking Financial Inclusion and development, published by Complutense Madrid, talked about the need for an improved measurement methodology. This study has shown a strong, positive relationship between financial inclusion and development. The new IFI captured all

available financial data for the twenty analyzed countries and offered a holistic measure of financial inclusion across these nations. In future, it is worth computing this index for all countries and with updated information. Financial inclusion appears to be essential to reach higher development. It provides fertile ground for citizens to build their lives, giving them access to saving bases, credit schemes and insurance. Further research could now use regression analysis to investigate how the benefits of financial inclusion specifically drive higher development, both at an individual level and for the broader economy. This appears a logical assumption based on the results presented above.

18- **(Rayaghana Abrahams. Apr.2017) Financial Inclusion** in South Africa, master degree research at Nelson Mandela UN, about two million adults excluded from the financial sector globally, financial exclusion is a global challenge and, if left unaddressed, will have dire consequences for a country's economic growth, SME development, transformation and the poor's ability to participate in the formal financial sector. In this context, financial inclusion was prioritized on the South African government's development agenda as the country aims to increase financial inclusion to 90% by 2030. South Africa, with its sophisticated financial sector, was early to adopt policies and initiatives to advance financial inclusion, and the country has experienced 9 noticeable increases in financial inclusion from 61% in 2004 to 87% in 2015. South Africa is 3% away from its NDR goal of 90% financial inclusion by 2030. This indicates that overall, the financial inclusion initiatives adopted by the South African government were Successful. The study has revealed that South Africa should consider relaxing its regulatory requirements as other African countries have done to enable mobile money to succeed in the country. The study also encourages the South African government to hasten with the finalization of its NFIS and forum. The study also recommends the introduction of a tiered-licensing system that opens the market to informal institutions that can tailor services to unbanked Individuals, and South Africa should look to its African counterparts, like Kenya, Rwanda and Tanzania, where financial inclusion is on the rise - due to strong country commitment and innovative regulatory reforms**.**

19- **(Rashmi. 03/2021)** Financial inclusion: understanding concept, barriers and measurement. Published at: University of Bradford library, he examined various interpretations and definitions of financial inclusion in this study. Also looked at the measurement issues and barriers to financial inclusion. The study's findings show a competitive emergence of several charities and multilateral organizations in a crowded 'financial inclusion marketplace to capture different dimensions of financial inclusion. For instance, the Centre for Financial Inclusion website states: In selecting its program areas, CFI seeks out areas that strongly fit its vision of financial inclusion, particularly its emphasis on quality. It looks for aspects of that vision that others have under-addressed, where CFI may have a comparative advantage based on its industry relationships and areas of existing competence.

20- **(Bazira Bigawa Able. Sep.2020)** Financial Inclusion in Burundi: the use of microfinance service in semi-urban areas, Published in the journal of economic development, This research tried to analyze the ability of microfinance institutions to become effective Alternatives to traditional banks to improve financial inclusion of low-income populations in Burundi. After analyzing data with logistic regressions (logit), we found that microfinance institutions contribute (i) to address barriers to financial inclusion, (ii) to foster the accessibility to formal financial services for men/women, married individuals, low-income people, educated individuals, and (iii) to facilitate the use of formal financial services by low-income populations living in Burundi semi-urban areas. However, microfinance should not be seen as the ultimate solution to break up the poverty cycle for low-income populations in developing countries like Burundi, but rather as driving for the socio-economic development of low-income individuals so that they can gradually increase their participation in community development activities.

21- **(Philip Mader. 04/2021)** Contesting Financial Inclusion, published on behalf of the institute of studies, This contribution critically assesses financial inclusion as an intervention in the development space. It examines the turn from microfinance to financial inclusion, introducing new actors and practices, new ideas and ideologies; new theories of change; and new expectations toward clients. It then considers three key

issues and contests the arguments made by proponents of financial inclusion about them: first, the argument that financial inclusion facilitates broader development outcomes; second, the claim that poor people gain poverty alleviation through financial inclusion; and third, the suggestion that financial inclusion is good business. In all three areas, the author highlights shortcomings in the evidence base and argues that high expectations of financial inclusion serving as a core pro-poor, private-sector-led development intervention lack justification rather than financial inclusion should be recognized as a contested and contestable enterprise.

22- **(Dr. Hanan Aladdin. 7.2020)** The mechanism of enhancing financial Inclusion in Egypt in light of challenges and obstacles, Published in the Scientific Journal of Economics and Management. This researcher proposed a proposed mechanism to enhance financial inclusion within the national economy. This strategy depend on the process of preparing an environmental, legal and legislative study in the country, identifying the primary responsible parties, identifying the parties involved in building the strategy, and finally conducting a preliminary assessment of financial inclusion to evaluate the current status of financial education. Determining the gap between the current level and the target level to be reached.

23- **(Ozili, Peterson K, 2020)** Financial Inclusion research around the world: a review, Published in the MPRA, This paper provides a comprehensive review of the recent evidence on financial inclusion from all world regions. It identifies the emerging themes in the financial inclusion literature and some controversy in policy circles regarding financial inclusion. In particular, I draw attention to some issues such as optimal financial Inclusion, extreme financial Inclusion, how financial inclusion can transmit systemic risk to the formal financial sector. whether financial inclusion and exclusion are pro-cyclical with changes in the economic cycle. The key findings in this review indicate that financial inclusion affects, and is influenced by, the level of financial innovation, poverty levels, the financial sector's stability, the state of the economy, financial literacy, and regulatory frameworks that differ across countries.

Finally, the issues discussed in this paper opens up several avenues for future research.

24- **(Ozili, Peterson K. 2020)** Financial inclusion: a decisive critique, Published in the MPRA, presents some criticisms of financial inclusion. It noted that (i) financial inclusion is an invitation to live by finance and leads to the financial of poverty. (ii) Some of the benefits of financial inclusion disappears after a few years; (iii) Financial inclusion ignores how poverty affects financial decision making. (iv) it promotes digital money which is difficult to understand. (v) Financial inclusion promotes the use of transaction accounts. (vi) Digital money is challenging to understand, (vii) some financial inclusion efforts bear a resemblance to a campaign against having cash-in-hand. This study will help policymakers assess the economic, social, political and cultural factors that hinder financial inclusion and the consequence of financial inclusion for society.

25- **(Vishal Yaday & Bhanu Pratap, june 2020)** The multidimensional Financial inclusion index for Indian states, Published in the Wiley, proposes a multidimensional financial inclusion index (FII) for 27 Indian states. The different demand and supply FII constructed across the states for the period 2004 2017. The Human Development Index (HDI) methodology developed by the United Nations Development Programme (UNDP) adopted to construct the current FII. After the launch of Pradhan Mantri Jan Dhan Yojna (PMJDY) in 2014, no study in the Indian market attempted to examine the status of financial inclusion across the states over a more extended period. The current study fills this gap by proposing the demand and supply FII. The study's major findings show that the level of FII measure tends to indicate marginal improvement in the level of financial inclusion across states during 2004 2017. Most of the northern and northeastern states found to be under low financial inclusion.

26- On the other hand, most of the high financially included states were also better in HDI and literacy. Further, PMJDY was unable to augment financial inclusion across the states because of the marginal impact of the scheme, which helped only a few

states to move from low to medium FII states. On the contrary, the rise in the dormant account, low HDI and illiteracy across the majority of the states were the major reason behind the failure of PMJDY. Hence, structural reform warranted in the policy framework to provide financial services to the weakest point among the poor at low or no cost for better economic outcomes.

27- **(Dr. Suresh Poojary& Maria Rodrigues. 2.2013)** Poverty Alleviation through Financial Inclusion: Policies, Measures and Achievements of Financial Inclusion through Banks in India, Published in the Anveshana. After analyzing the conceptual framework of Financial Inclusion in India, the following observations are drawn. The initiative taken about financial inclusion from its inception has made a serious attempt to reach the unbanked or include the excluded population of our country into the ambit of assessing financial services so that through financial empowerment of the poor it would be possible to eliminate poverty to a greater extent. Yet, there is vast scope for further developments as the studies stated that there is still financial exclusion that should be eliminated to achieve 100% financial inclusion and it bring in economic growth for the country. Ÿ The Government of India and the Reserve Bank of India have been keenly interested in this regard; the other intermediaries like banks, BC/BF's have to be given due consideration to uphold financial inclusion in the country.

28- **(T D Simon. 2020**) Financial Inclusion in India: An Analysis of its Pattern, Artha-Journal of Social Sciences, The government policy to boost the number of account ownership among unbanked has succeeded over the years. The present study shows that a vast majority has bank accounts. Certain socio-economic factors, like educational level, age group, and employment, determine the increase of the number of bank account holders. But the problems arise when the account holders do not use the bank account properly. Lack of money was one of the significant factors for the disinterest of owning a bank account. The bank account ownership by other members in the same family also withdrew them from creating a bank account. The government has to bring various measures to bring the unbanked respondents to banking activities. An active implementation plan is required for the proper utilization of the banking facilities.

29- **(Ahmed Abdel Hai, 4/2019)** The role of financial inclusion in enhancing customer confidence in banking services: an applied study on customers in the central delta region, the research seeks to identify the extent to which customers perceive the dimensions of financial inclusion and their role in enhancing the level of confidence in banking services by applying to a sample of 1200cases. The research found a difference in the level of customer perception of both the dimensions of financial inclusion and the level of confidence in banking services.

30- **(Dr. C. Viswanatha Reddy, March 2017)** Overall Financial Inclusion across 55 Countries: 12 financial inclusion enabling variables, Published in the SCMS journal of Indian management. The present study aims to evaluate the role of 12 financial inclusion enabling environment variables towards the overall financial inclusion across 55 countries. To examine the impact of each extracted factor on overall financial inclusion. Factorial regression analysis was carried out, and the linear multiple regression model has been used to highlight the impact of each variable on overall financial inclusion. The empirical results show that most of the predictor variables studied have a significant positive effect on overall financial inclusion.

31- **(SHIKA SARAVANABHAVAN, 2016)** Understanding the disparity in financial inclusion across the INDIAN STATES: A comprehensive index for the period 1984-2016.

32- **(AT ZAINAB HAMID)** The role of commercial banks in promoting financial inclusion/ applied to study in the Middle east bank for investment and BAGHDAD bank.

❖ Objectives of the Study:

The research aimed to identify the following objectives.

1- To study the reality of financial Inclusion in Yemen.
2- To identify the crucial issues which can enhance financial Inclusion in Yemen.
3- To analysis the intervention approach of people about financial inclusion.
4- To evaluate the outcome of a behavioural strategy for financial inclusion in Yemen.

❖ The Hypothesis of the study

The research is based on a number of hypotheses, the most important of which are:

1) Poor, successful communication between banking services and individuals in various regions with whom banks seek to deal.
2) The demand of individuals of different age groups for financial services increases by obtaining information and direct support.
3) The educational environment in Yemen appears to be weak in teaching students aspects of financial advice and promoting savings.
4) If the level of financial awareness among individuals increases, this leads to an increase in the demand for banking transactions and easy access to financial services, which will finally reduce poverty and unemployment.

❖ Research Methodology

The researcher will use primary and secondary data for the study. This pilot study will be done; therefore, the study's sampling plan and framework will be determined based on the fieldwork. However, this research is based on action research in which an interaction strategy will be implied. Thus, selected statistical tools will be used for the analysis of the study. Impact of interaction will be the primary outcome of this research

- **Intervention strategy intervention Strategy**
    1) Providing study material in their language.
    2) Giving training to them regarding financial usefulness
    3) Evaluate after training whether they are improved or not
    4) Impact of Intervention:
    5) Interpretation:
    6) Conclusion:

Limitations of the Study:

This study will confine itself to the following topics:

- Study the current situation of financial Inclusion in Yemen.
- The geographical area is the Republic of Yemen.
- The research sample is Hadramout Governorate.
- It deals with the age group between 18 to 50 years.
- Being the age group that can be understood and influenced

❖ Tentative Chaptalization:

Chapter 1: Studying the reality of financial Inclusion in Yemen.

Chapter 2: Identifying the crucial issues which can enhance financial Inclusion in Yemen.

Chapter 3: Analyzing the intervention approach of people about financial inclusion.

Chapter 4: evaluate the outcome of a behavioral strategy for financial in Yemen.

Chapter 5: Findings and recommendation

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